The Dun & Bradstreet Corporation

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The Dun & Bradstreet Business Expectations Survey

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News

BUSINESS EXPECTATIONS EBB IN FIRST QUARTER

Optimism Among Retailers Drops Significantly With Forecasts of Weaker Sales and Lower Profits

NEW YORK, Jan 11--Overall expectations for first-quarter gains in sales and profits are down, compared with expectations for both the previous period--the fourth quarter of 1988--and with year-ago results for the first quarter of 1988, according to results of the latest nationwide survey of 1,500 business executives by The Dun & Bradstreet Corporation.

The results of the survey were marked by significant declines in optimism for increased sales and profits among retailers.

Despite the weaker expectations, Joseph W. Duncan, corporate economist and chief statistician of The Dun & Bradstreet Corporation, said the current outlook is better than it appears.

"Expectations for first-quarter sales are down only slightly and we are coming off a four-year high in terms

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of expectations for higher profits," said Duncan. "Moreover, our fourth-quarter survey conducted in August last year indicated that retailers were looking ahead to a strong holiday sales period, so the current results suggest they expect consumers to take a breather after the Christmas selling season."

Duncan added that among manufacturers, sales expectations remain at historically high levels as firms continue to benefit from opportunities in export markets. However, Duncan noted that fewer manufacturers expect to raise prices in the first quarter, which suggests competition may be increasing.

"Expectations for higher profits among durable goods manufacturers also are down, indicating that firms may be planning to make sacrifices in their margins in the face of stiffer competition," said Duncan.

In its latest Survey of Business Expectations, conducted in November, Dun & Bradstret asked 1,500 executives in manufacturing, retailing and wholesaling if they expect an increase, decrease or no change in first-quarter sales, profits, prices, inventories, employment and new orders. Dun & Bradstreet nas been conducting the quarterly Survey of Business Expectations since 1947.

Note to Editors

The D&B Index figures used in the following pages represent the net percentage of survey respondents expecting

higher sales, profits, etc. The indices are calculated by subtracting the percentage of respondents predicting decreases from the percentage of those expecting increases.

Sales

The Sales Optimism Index for the first quarter of 1989 fell to 68 from 70 in the fourth quarter of 1988. While expectations for increased sales among wholesalers and manufacturers remained essentially unchanged, the Sales Optimism Index among retailers dropped to 57 from 72 in the fourth quarter, and from 65 in the first quarter of 1988. For the first quarter, 29 percent of the retailers surveyed expect no change in their level of sales, compared with the fourth quarter of 1988.

Profits

The Profits Optimism Index for the first quarter of 1989 declined to 60 from 67. Expectations for higher profits among retailers plummeted to 53 from a four-year high of 69 in the fourth quarter. Among manufacturers of durable goods, the Profits Optimism Index fell nine points to 61. Expectations for higher profits among manufacturers of non-durables rose five points to 64, while wholesalers' expectations fell two points to 61.

Prices

Expectations for higher prices in the first quarter of

1989 fell one point to 41, down from a four-year high of 44, reached in the third quarter of 1988. Wholesalers indicated that they plan to raise prices in the first quarter, with the index increasing to 45 from 37. Expectations for increased prices among retailers fell to 40 from 45, and among manufacturers of durable goods, the index dropped to 37 from 43. Expectations among manufacturers of non-durable goods remained unchanged at 43.

"The current pattern in price expectations suggests only a modest pick up in inflation, if any at all," said Duncan.

Inventories

Expectations for increased inventories were unchanged, with the index holding at 26. Among non-durable goods manufacturers, however, expectations for increased inventories rose to 32 from 18. Durable goods manufacturers' expectations rose three points to 26, while expectations among wholesalers fell to 25 from 28. Retailers forecast a decrease in inventories, with the index falling seven points to 23.

"It is only logical that retailers would plan to reduce their inventories, in view of their expectations for weaker first-quarter profits and sales," said Duncan. "By maintaining smaller inventories, they avoid tying up assets in inventory accumulations."

Employees

The Employment Expectations Index rose to 24 from 22, largely because of a modest gain in the index among manufacturers. Among wholesalers and retailers, expectations remained essentially unchanged.

New Orders

The New Orders Index for manufacturers of durable goods fell two points to 65, while the index for non-durable goods manufacturers increased to 65 from 64.

The Dun & Bradstreet Corporation is the world's largest marketer of business information and related services, with worldwide revenue of $3.4 billion in 1987.

(See Attached Tabular Data)

January 11, 1989

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SURVEY OF BUSINESS EXPECTATIONS

Conducted by The Dun & Bradstreet Corporation

WHAT BUSINESS EXECUTIVES EXPECT FOR THE
FIRST QUARTER OF 1989 COMPARED WITH THE FIRST QUARTER OF 1988

(Interview Period: November 7 to 23, 1988)

		All Firms	All Manufacturers	Durables	Non-Durables	Wholesalers	Retailers
Net Sales	Number Reporting:	1,507	772	564	208	445	290
	% Expecting -- Increase	72%	73%	73%	73%	73%	64%
	% Expecting -- No Change	24%	24%	23%	25%	21%	29%
	% Expecting -- Decrease	4%	3%	4%	2%	6%	7%
Net Profits	Number Reporting:	1,423	717	520	197	431	275
	% Expecting -- Increase	65%	67%	67%	67%	66%	59%
	% Expecting -- No Change	30%	28%	27%	30%	29%	35%
	% Expecting -- Decrease	5%	5%	6%	3%	5%	6%
Selling Prices	Number Reporting:	1,437	727	527	200	433	277
	% Expecting -- Increase	45%	43%	41%	48%	49%	43%
	% Expecting -- No Change	51%	53%	55%	47%	47%	54%
	% Expecting -- Decrease	4%	4%	4%	5%	4%	3%
Inventories*	Number Reporting:	1,467	747	547	200	441	279
	% Expecting -- Increase	38%	39%	37%	45%	37%	38%
	% Expecting -- No Change	50%	50%	52%	42%	51%	47%
	% Expecting -- Decrease	12%	11%	11%	13%	12%	15%
Employees*	Number Reporting:	1,513	771	562	209	454	288
	% Expecting -- Increase	28%	31%	33%	28%	27%	19%
	% Expecting -- No Change	68%	64%	63%	66%	69%	75%
	% Expecting -- Decrease	4%	5%	4%	6%	4%	6%
New Orders	Number Reporting:		704	520	184		
	% Expecting -- Increase		69%	69%	69%		
	% Expecting -- No Change		27%	27%	27%		
	% Expecting -- Decrease		4%	4%	4%		

* End of Quarter

Source: The Dun & Bradstreet Corporation
Economic Analysis Department

THE DUN & BRADSTREET CORPORATION
SURVEY OF BUSINESS EXPECTATIONS
Optimism Index by Industry

		All Firms	All Mfctrs	Durables	Non-Durables	Wholesalers	Retailers
			Manufacturers				
1Q89	Sales	68	70	69	71	67	57
4Q88		70	71	71	69	69	72
3Q88		73	73	74	69	78	65
2Q88		69	68	68	81	71	59
1Q88		70	72	70	76	69	65
1Q89	Profits	60	62	61	64	61	53
4Q88		67	68	70	59	63	69
3Q88		65	70	70	73	64	59
2Q88		64	67	67	70	63	62
1Q88		63	65	65	65	62	61
1Q89	Prices	41	39	37	43	45	40
4Q88		42	43	43	43	37	45
3Q88		44	48	47	50	42	39
2Q88		41	38	40	34	45	42
1Q88		41	40	40	41	43	36
1Q89	Inventories	26	28	26	32	25	23
4Q88		26	22	23	18	28	30
3Q88		23	25	25	18	23	21
2Q88		28	30	29	31	25	26
1Q88		23	24	22	28	23	19
1Q89	Employees	24	26	29	22	23	13
4Q88		22	26	27	20	23	14
3Q88		23	29	30	29	24	13
2Q88		28	29	31	24	22	11
1Q88		26	28	30	24	26	19

Source: Economic Analysis Department
The Dun & Bradstreet Corporation

THE DUN & BRADSTREET CORPORATION - Economic Analysis Department

BUSINESS EXPECTATIONS - ALL CONCERNS

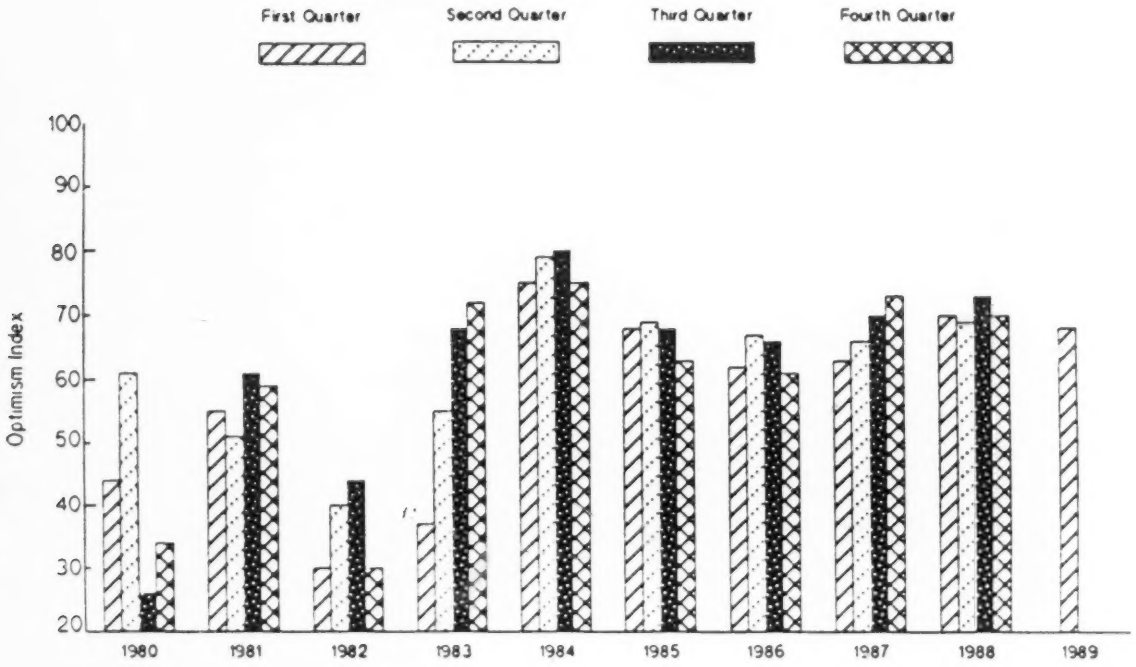
Optimism Index - 1980Q1 to 1989Q1

	SALES	PROFITS	PRICES	INVENTORIES	EMPLOYEES
89Q1	68	60	41	26	24
88Q4	70	67	42	26	22
88Q3	73	65	44	23	25
88Q2	69	64	41	28	23
88Q1	70	63	41	23	26
87Q4	73	64	36	25	23
87Q3	70	66	34	22	24
87Q2	66	62	32	21	18
87Q1	63	56	24	19	19
86Q4	61	57	22	14	17
86Q3	66	62	26	20	18
86Q2	67	62	29	17	21
86Q1	62	55	26	16	18
85Q4	63	54	25	17	17
85Q3	68	62	32	23	18
85Q2	69	62	37	31	24
85Q1	68	61	36	27	19
84Q4	75	68	41	32	25
84Q3	80	75	50	40	27
84Q2	79	73	50	41	27
84Q1	75	67	43	33	24
83Q4	72	62	40	28	20
83Q3	68	59	39	24	18
83Q2	55	46	32	16	12
83Q1	37	29	33	5	1
82Q4	30	20	37	0	-4
82Q3	44	32	28	11	2
82Q2	40	31	55	13	2
82Q1	30	22	61	8	1
81Q4	59	44	70	27	10
81Q3	61	47	79	31	12
81Q2	51	38	78	22	8
81Q1	55	40	78	26	13
80Q4	34	22	74	11	1
80Q3	26	18	69	6	4
80Q2	61	46	82	39	13
80Q1	44	32	77	23	9

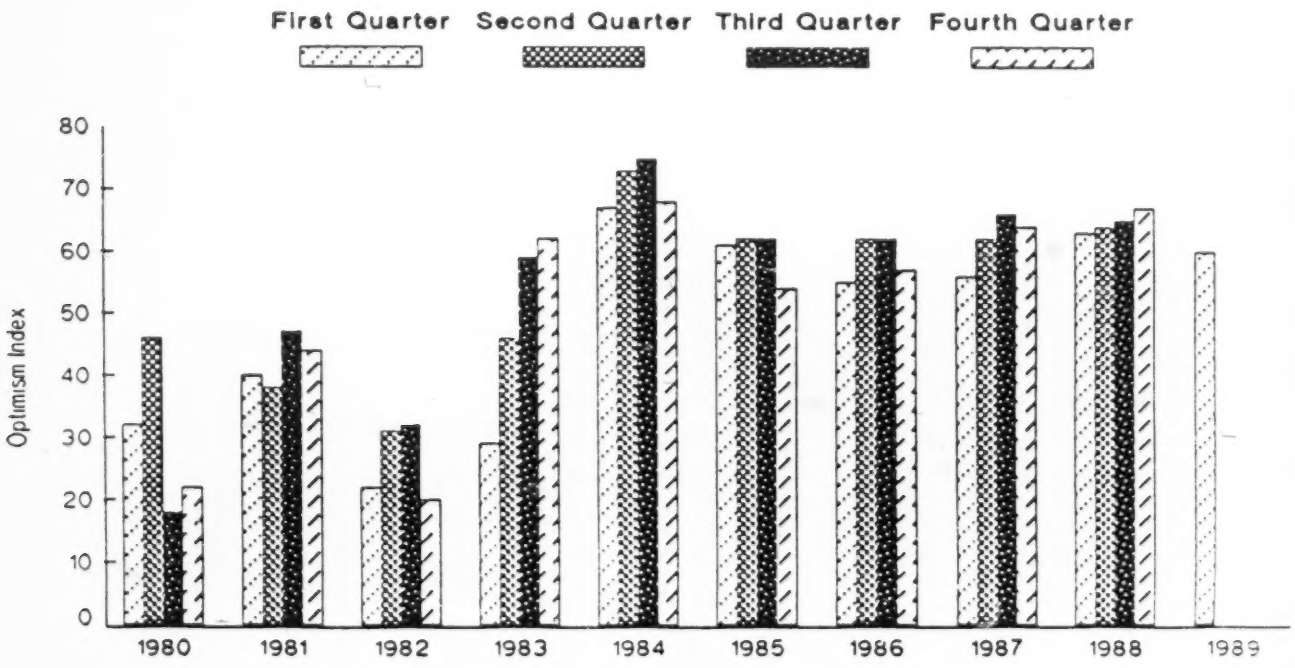
Source: The Dun & Bradstreet Corporation
Economic Analysis Department

Dun & Bradstreet Expectations Survey

Business Expectations – Sales



Business Expectations – Profits



Source: The Dun & Bradstreet Corporation
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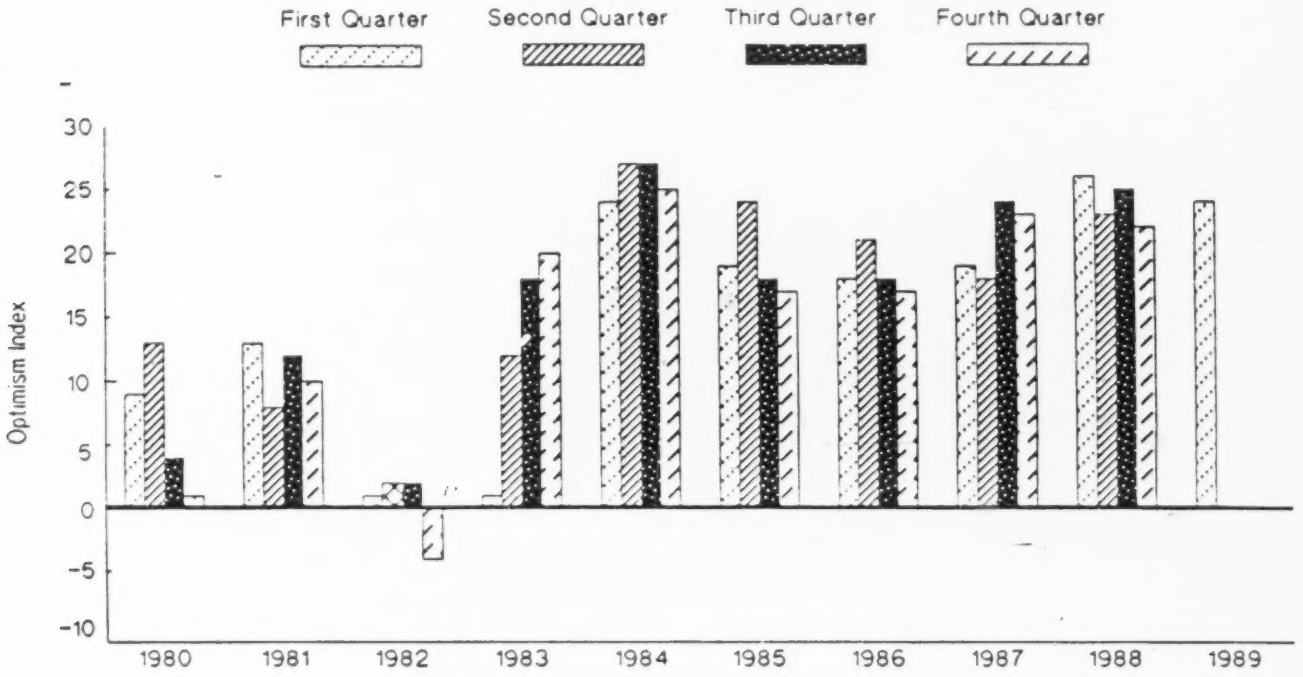
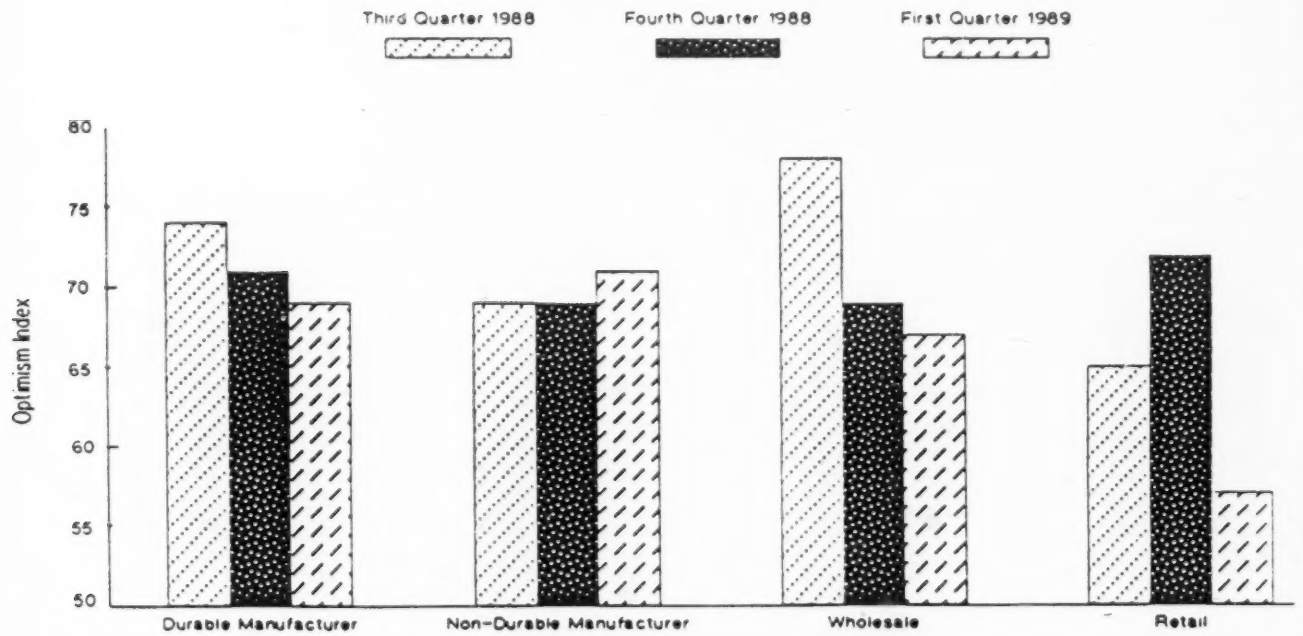
Business Expectations – Employment



SALES OPTIMISM INDEX



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